

State of Utah  
Division of Purchasing and General Services

## **SOURCING MANAGEMENT GUIDE 1**

# *Understanding Strategic Sourcing*



# ***Understanding Strategic Sourcing Guide***

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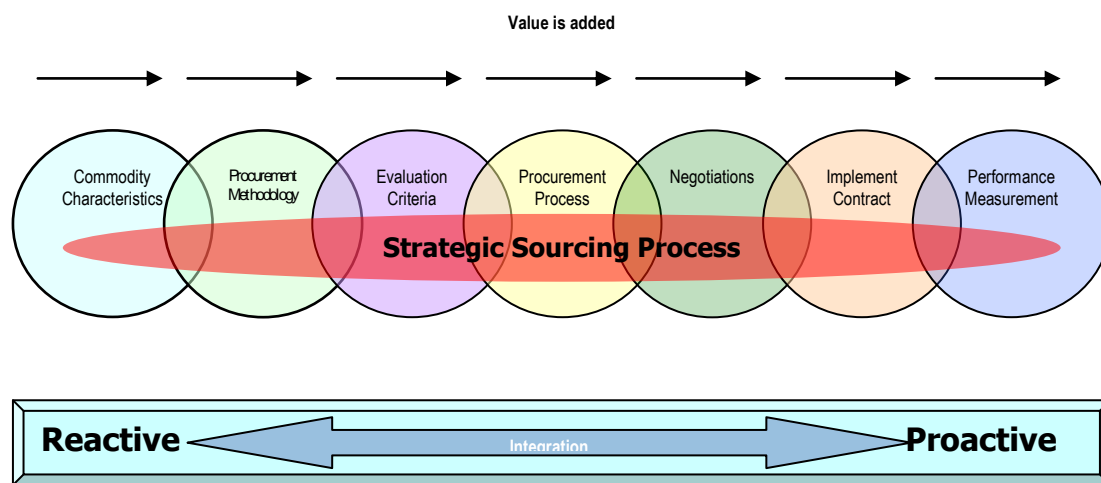
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# Introduction

What is strategic sourcing? A strategy is a shared understanding about how a goal is to be reached. Therefore, “strategic sourcing” is a disciplined seven phase process for use by the purchasing agents and others within the State Division of Purchasing to achieve the goal to maximize the value received for the expenditure of public funds for goods and services received by the State of Utah. The Division of Purchasing is enthusiastically committed to obtaining best value and achieving excellence in public procurement. Strategic sourcing is a rigorously applied progression of activities utilized as a tool to assist in the fulfilment of the Division’s commitment.



Benefits of strategic sourcing range from recurring contractual acquisitions and one-off cost reductions to operational improvements throughout the supply chain. These benefits translated into cost savings and operational improvements can be used to increase the Division of Purchasing’s public value by improving tactical response times, expanding the supplier base, reducing redundancies and enable the State to achieve substantial and recurring cost reductions across a wide range of commodities, and services. The Division of Purchasing will realize significant operational improvements in the form of customer satisfaction, improved flexibility, and responsiveness.

A key element of successful strategic sourcing is the collection, analysis, and dissemination of detailed data. In order to perform accurate benchmarking to enable Purchasing Agents to make informed decisions and effect strategically sourced contracts, a solid foundation of comprehensive data will be maintained. Through a comprehensive benchmarking program, the Division of Purchasing will continue to reduce costs, leverage spend, and maintain concise data for future endeavours. Utilizing the collected data, cost-reduction opportunities will be developed across the acquisition process. Opportunities for leveraging overall spend, volume discounts, procurement processes, etc. will then be explored.

**The Division of Purchasing aims to analyze and act upon recurrent strategic supplier management issues identified by State Purchasing Agents and other public purchasing units. Additionally, the Division of Purchasing will maintain a strategic overview of agency procurements and examples of best practices and ensure that this information is available to all customers of the Division of Purchasing. To these ends the Division of Purchasing will:**

- Collect detailed data on State Contract usage, overall public funded spend, and facilitate benchmarking activities by State Purchasing Agents;**
- Inform agencies of key supplier activity and Division of Purchasing procurement plans to promote better management of collective dealings with key suppliers;**
- Facilitate agency development of supplier management capability on an agency-tailored basis;**
- Effect the strategic management of key suppliers on behalf of the Division of Purchasing and, through this, establish more effective corporate relationships;**
- Provide detailed spend management reports compiled from information contained in the State Financial System (FiNet) and usage report databases;**
- Recommend opportunities to leverage the State's spend through seeking value added arrangements whenever possible, consolidating similar procurements to increase the value of the State's business to suppliers and, in turn, receive discounts, and encouraging maximum competition.**

**The Division of Purchasing will provide information, advice and guidance, including detailed reports, briefings and analysis of suppliers, commodities and potential markets, to agencies and other customers. To become a leading edge purchasing and supply management organization, the Division of Purchasing cannot continue doing all things as they have always been done. To be truly strategic means to take the initiative and find uncharted waters where**

new opportunities to add value can be achieved<sup>1</sup>. The Division of Purchasing will assist purchasing agents move from the traditional role as facilitators to a new role as value creators.

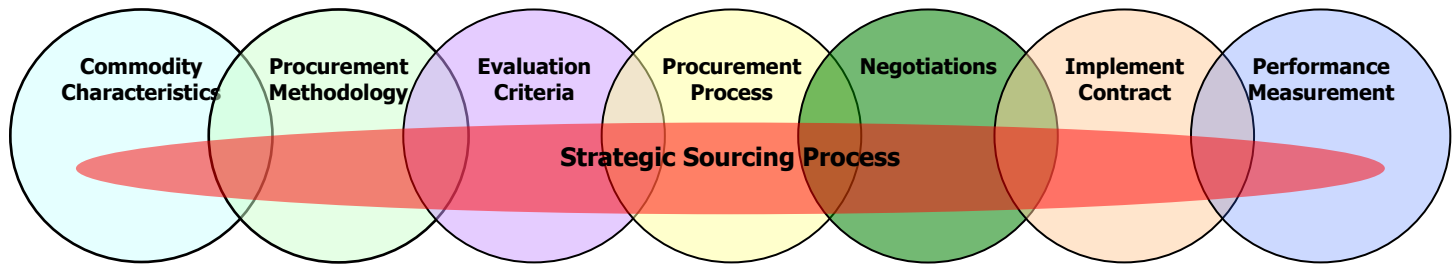
In addition, the Division of Purchasing will maintain a strategic overview of agency procurements and examples of best practice and ensure that this information is available to all agencies. It will also drive best value through the strategic sourcing initiative. The Division of Purchasing, through sourcing management, will ensure that all specifications prepared by agencies will seek to promote overall economy and best use for purposes intended and encourage maximum competition in satisfying the end-user's needs, and shall not be unduly restrictive. The Division of Purchasing will apply this provision to all specifications, including but not limited to, those prepared by non-state employees, architects, engineers, designers, and draftsmen for public contracts.

As an on-going element of sourcing management and the strategic sourcing initiative, the Division of Purchasing will keep abreast and current on contemporary innovations in procurement activities, both public and private. The Division of Purchasing will strive to adapt and adopt best practices envisioned and developed by counterparts in other states and, when permissible under statute and rule, those successfully employed by the private sector. Currently, the Division of Purchasing has led the way in efficiency and government procurement effectiveness and, building upon the robust foundation already established, will continue to lead the nation in state purchasing excellence.

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<sup>1</sup> Roger L. Ball, CPPO, C.P.M., "Aggressive Initiatives Lead Purchasers to the Strategic Table

# Phase One – Commodity Characteristics



Steps in Strategic Sourcing Phase One	Identify Commodity Opportunities	Collect and Analyze Basic Information – Conduct a Spend Analysis	Analyze the Commodity Total Cost of Ownership (TCO)	Perform Market Analysis	Identify Cost Reduction Opportunities
Useful Links and Resources	<a href="#">State Cooperative Contracts</a> <a href="#">Commodity Codes</a>	<a href="#">Sales and Usage Reports</a>  <a href="#">Financial Snapshot Form</a>	<a href="#">TCO Form</a>	<a href="#">Market Resources</a> and forecast links.	<a href="#">EdPac</a> <a href="#">UPac</a> <a href="#">Salt Lake County</a> <a href="#">Salt Lake City</a> <a href="#">Purchasing Newsletter</a>
Primary activities	Utilizing agent experience and professional knowledge, identify which commodity class and subclasses represent an opportunity for cost savings.	Conduct a spend analysis based upon sales and usage reports and the usage database, and/or examine the needs of the end-users. Document current unit prices and/or historical prices and costs.	Capture Cost Drivers, not just cost elements. Consider consumables, maintenance, technical support, repairs costs, shelf-life, etc.	Examine market forecasts, economic indicators, industry information, market/purchase cycles.	Merge requirements or consolidate end-user orders, leverage spend, include school districts, political subdivisions, etc.
Commodity Characteristics identification and analysis guidance documents	<a href="#">Commodities successfully sourced in other states.</a>	<a href="#">Sales and Usage Reports.</a> <a href="#">Commodity Financial Snapshot Form.</a>		<a href="#">Reports on Business</a>  <a href="#">JP Morgan PMI Reports</a>	
	Suggested Commodity Class descriptions and aggregates.			<a href="#">PPI Data</a> <a href="#">CPI Data</a>	

## Step 1

### Identify Commodity Class and Subclasses

<p><b><u>What Commodity Class represents an opportunity for cost reductions and/or increased efficiencies?</u></b></p> <p>Are there existing state contracts in place that are about to expire? Have certain commodities or contracts seen significant price increases? Examine the current agreements closely to determine if a strategic sourced procurement may result in lower costs whether in unit cost, maintenance costs, etc.</p> <p>If equipment has been previously purchased, what is the “life expectancy” of the equipment? Is it nearing the end of it's life cycle and replacement is approaching?</p> <p>Has there been an increase in requests for certain supplies or services based upon socio-economic changes or demographic changes? Are their any predictable or foreseeable changes that will result in increased needs by the Division's end-users?</p>	<ul style="list-style-type: none"> <li>• The success of a strategically sourced commodity is dependent upon a certain amount of research and analysis. It may appear that this step should be considered <i>after</i> other steps have been completed. It is the intent of this step to use the professional expertise and experience of the purchasing agents within the Division of Purchasing to identify commodities that are suitable for strategic sourcing.</li> <li>• Examine the State Contracts web page.</li> <li>• Resources such as the local newspapers detailing current events; national or international wire services, societal trends, and press releases may provide an insight into where end-users will be required to respond to their own sense of public value.</li> </ul>
<p><b><u>Examine the subclasses associated with the Commodity Class.</u></b></p> <p>Examine what subclasses can be grouped together to increase the leverage.</p>	<ul style="list-style-type: none"> <li>• Aggregation of subclasses into a possible single procurement to maximize the total spend should be a consideration.</li> </ul>
<p><b><u>Carry out discussions with suppliers.</u></b></p> <p>An often overlooked element of this phase of strategic sourcing is to utilize the vast wealth of information current supplier possess of trends in purchasing activity, not necessarily in government, but across their customer base.</p>	<ul style="list-style-type: none"> <li>• Talk to current suppliers about what they are seeing in their industry. Who is purchasing what and why?</li> <li>• Express to suppliers the obvious need for the Division of Purchasing to be ever-mindful of cost-saving expectations and get feedback.</li> <li>• Can the current supplier make cost effective recommendations on commodity aggregation?</li> </ul>




## Step 2

### Collect and Analyze Basic Information

What you need to do	Points to consider
<p><b><u>Does the available information and data support the Commodity Class opportunity?</u></b></p> <p>Examine usage and sales reports from previous quarters' or fiscal years' submissions.</p>	<ul style="list-style-type: none"> <li>What is the total spend against a given contract for the commodity <u>and</u> commodity subclasses?</li> <li>Are there spikes among the quarters of a fiscal year? This information can tell the purchasing agent whether or not the market is hungry during a particular time or if certain times of the year are the most advantageous for procurement activity.</li> </ul>
<p><b><u>Financial Snapshot of the Commodity.</u></b></p> <p>Working from the detail provided by the usage and spend reports and the results from step one on trends and end-user expectations for future usage, extrapolate the total available information to create a financial snapshot of the commodity.</p> <p>Examine the contract associated with the usage and spend data and calculate total units purchased whenever possible.</p>	<ul style="list-style-type: none"> <li>Spend and Usage reports will only present total spend by State, political subdivision, and education. Unit pricing or actual commodity prices are not represented. Currently, this must be calculated manually. This means that if the purchasing agent reduces costs through a strategically sourced procurement that results in lower unit costs and subsequently creates an environment for higher usage, future spend reports may not accurately reflect the purchasing agent's success.</li> <li>Completing the Commodity Financial Snapshot Form will provide an organized, concise, and overall picture of the financial aspects of the commodity.</li> </ul>
<p><b><u>Carry out discussions with end-users.</u></b></p> <p>Ask end-users what their budget is or is projected to be for purchasing the commodity. Inform the end-users of the results of the previous steps and what the Commodity Financial Snapshot portrays.</p> <p>Do the end-users have a long-term plan? Is it available for review? Meet with the end-users and/or their procurement team and detail the information gleaned from the commodity analyses.</p>	<p>Some possible questions to open productive discussions with end-users are:</p> <ul style="list-style-type: none"> <li>Are you interested in this opportunity?</li> <li>If not, why not?</li> <li>Is the Commodity Snapshot accurate?</li> <li>Are there other considerations that have not been included in the Commodity Financial Snapshot?</li> <li>Has your budget increased or decreased over the past years?</li> <li>(Either) If so, why?</li> </ul> <p>What issues have been missed? What assumptions have been made?</p>
<p><b><u>Sources of help and advice</u></b></p>	<p>Further help and advice can be sought from:</p> <ul style="list-style-type: none"> <li>The Strategic Sourcing Team</li> <li>Agency procurement units</li> <li>Other state's purchasing organizations</li> </ul> <p>The Internet is also a very good place to research.</p>


## Step 3

### Analyze the Commodity Total Cost of Ownership (TCO)

What you need to do	Points to consider
<p><b><u>What are the cost drivers that impact the TCO for the Commodity Class?</u></b></p> <p>Consider all of the influences that are involved with the Commodity Class or the subclass product or service. Include, where applicable, the sum of all costs including transportation, maintenance and support, consumable supplies, emergency repair costs, cost, maintenance costs, etc.</p> <p>Develop a TCO archetype and document the representation using the TCO form.</p> <p>When performing the TCO analysis, document the cost drivers for use in step 5. For example, if 24/7 support has been previously required by the specifications and/or contract and this support has been a considerable component of cost, contact the end-users and determine if, in fact, 24/7 support is actually necessary or is support really only required Monday thru Friday from 8-5.</p> <p>Has there been an increase in requests for certain supplies or services based upon socio-economic changes or demographic changes? Are there any predictable or foreseeable changes that will result in increased needs by the Division's end-users?</p>	<p>The other factors involved in the TCO will provide valuable information when deciding on the procurement methodology to be used and developing evaluation criteria and points assigned to individual criterion or categories.</p> 
<p><b><u>Planning Ahead</u></b></p> <p>Document the TCO as precisely as possible using the TCO form. This documentation will be helpful in Phase Three when the detailed evaluation criteria will be developed.</p>	<ul style="list-style-type: none"> <li>• TCO represents all of the cost components of the commodity. Each component may be used as individual criterion in determining the best overall value.</li> </ul>
<p><b><u>Carry out discussions with suppliers</u></b></p> <p>Discuss with suppliers and potential suppliers all of the components of the commodity. Do they have customer references that may be contacted to research any hidden or life-cycle costs</p>	<ul style="list-style-type: none"> <li>• Has anyone done a TCO on this commodity before?</li> </ul>

## Step 4

### Perform Market Analysis

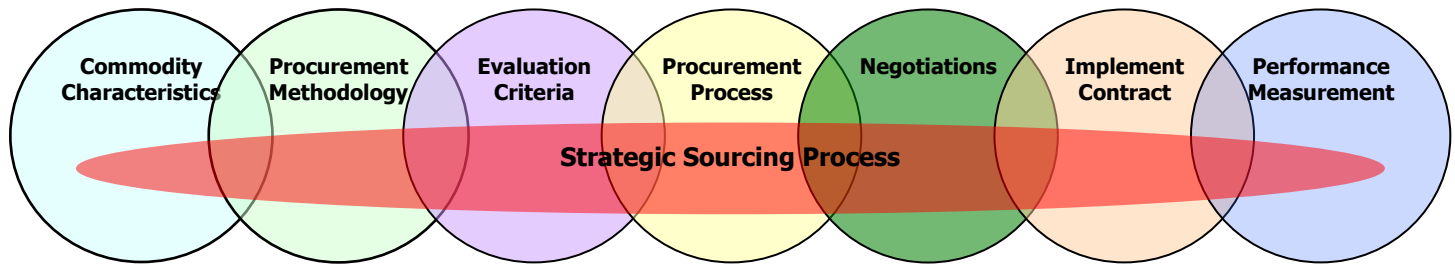
What you need to do	Points to consider
<p><b><u>What Commodity Class market information is available? What does this information reveal about past trends, forecasts, and possible market fluctuations due to outside influences?</u></b></p> <p>Utilize available trade or industry publications. If possible obtain an annual market analysis. Are there certain times of the year the industry most involved in the commodity is lean? Are factory orders for the identified commodity up or down? Analyze the commodity components from the TCO.</p> 	<ul style="list-style-type: none"> <li>Many analyses are available on-line. It is important to review as many as possible to ensure an overall and comprehensive understanding of the market.</li> <li>Some reports, forecasts, and analyses are driven by certain industry biases for certain outcomes. Use reputable information or a broad composite of information to ensure accuracy.</li> </ul> <p>Utilize the Producers Price Index (PPI). The Producer Price Index measures prices of goods at the wholesale level. There are three broad subcategories within PPI: crude, intermediate, and finished. The market tracks the finished goods index most closely, as it represents prices for goods that are ready for sale to the end user. Goods prices at the crude and intermediate stages of production often provide an indication of coming (dis)inflationary pressures, but the closer you get to crude goods, the more that these prices track commodity prices which are already available in traded indexes such as the CRB (Commodity Research Bureau).</p> <p>At all stages of production, the market places more emphasis on the index excluding food and energy, referred to as the core rate. Food and energy prices tend to be quite volatile and obscure trends in the underlying inflation rate. Though the market reaction is determined by the month/month changes, year/year changes are also noted by analysts. The index is not revised on a monthly basis, but annual revisions to seasonal adjustment factors can produce small adjustments to past releases.</p>
<p><b><u>Supplier-related market analysis</u></b></p> <p>It is important to understand what market influences directly affect your suppliers from their perspective. Who are their key providers of components or services that also are impacted by various markets.</p>	<ul style="list-style-type: none"> <li>How stable are the commodity suppliers' key providers? Consider the overall impact of a key provider's failure to perform resulting in delays or other difficulties that may impact successful performance of the supplier</li> </ul>
<p><b><u>Identify Market Influences</u></b></p> <p>What factors may impact the cost, availability, and quality of the commodity?</p>	<ul style="list-style-type: none"> <li>Have regional concerns developed, e.g. weather-related, strikes, etc. occurred that may impact your commodity or potential contractor's abilities to perform.</li> </ul>

## Step 5

### Identify Cost Reduction Opportunities (CRO)

What you need to do	Points to consider
<p><b><u>Are there opportunities available or could be developed that would reduce the estimated cost or reduce the costs currently charged under existing contracts?</u></b></p> <p><b><u>Specifications</u></b></p> <p>Closely examine the specifications. Are there specific items that are “required” that will unnecessarily drive up the costs? Work with the specification author and/or end-users to verify in fact, a requirement is truly a necessity and not an extravagance.</p> <p>Discuss specifications with end-users if the specifications are current. Have they considered more modern options or, as a result of the information obtained in the previous steps, are there specifications that could be modified to substitute components in order to obtain lower overall costs? Can the specifications be adjusted to broaden the available number of potential suppliers?</p> <p>Do the specifications create a possible risk to potential suppliers that will be passed on in terms of increased costs to the State?</p> <p>Using the information from the previous steps, can specifications be bundled to create a possible cost saving opportunity? Conversely, can the specifications be unbundled to create a possible cost savings opportunity?</p> <p><b><u>Overall Spend</u></b></p> <p>Can orders for the commodity be consolidated during the course of any resulting contract to reduce unit costs and/or can the State's overall spend be used to leverage a better value for the State?</p> <p><b><u>Involve Other Public Procurement Units</u></b></p> <p>Do other public procurement units have a need, potential need, or desire to be involved? Combining the total public spend may provide cost savings; combining additional products or subclasses in order to meet the needs of other public procurement units may also provide opportunities for cost savings.</p>	<ul style="list-style-type: none"> <li>• The State should not have to compromise quality for lower costs. End-users should expect a solid and robust product for the lowest <u>overall</u> cost.</li> <li>• Will more readily available components or changes to the specifications result in lower overall costs?</li> <li>• Can specifications be modified, without compromising on usefulness, quality, safety, etc. to provide a more competitive procurement resulting in lower costs?</li> </ul>

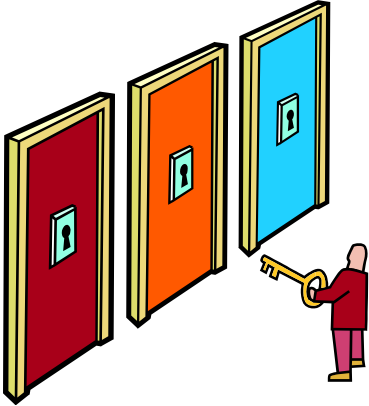
## Phase Two – Procurement Methodology



Steps in Strategic Sourcing Phase Two	Identify the most advantageous procurement methodology	Statement of Work (SOW)/Specifications	Select Contract Type	Supplier Analysis	Risk Factors
Useful Links and Resources	<a href="#">RFP Manual</a> <a href="#">Multi-step Manual</a>	Scope of Work (SOW) Guide	<a href="#">Utah Administrative Rule R33-3-7</a>  Contract Writing Guide		
Primary activities	Based upon a thorough, experienced, and knowledgeable review, determine which sourcing methodology will result in the best value for the State.	Prepare a SOW that accurately reflects the State's expectations for successful performance or develop clear, concise specifications.	Determine what type of contract is the most efficient to manage the long-term acquisition(s).	Identification of supplier base and capabilities.	Identify potential risks and develop mitigation plans.
Procurement methodology guidance documents	<a href="#">RFP Manual</a> <a href="#">Multi-step Manual</a>	SOW Guide Specification Guide			


## Step 1

### Identify the Most Advantageous Procurement Methodology

Tasks	Points to consider
<p><b><u>Review previous procurements for the same or similar commodity.</u></b></p> <p>Review available bid files, including those conducted by other purchasing agents. When possible, discuss the previous procurements with the agent(s) responsible. Discover successes and learn about problems or what in hindsight should have been done differently.</p>	
<p><b><u>Ensure an understanding of the methodologies available.</u></b></p> <p>The State can obtain best value in acquisitions by using one or a combination of selection approaches. In different types of acquisitions, the relative importance of cost or price may vary. In acquisitions where the requirement(s) are clearly definable and the risk of unsuccessful contract performance is minimal, cost or price may play a dominant role in source selection. The less definitive the requirement(s), development work is required, or the greater the performance risk, the more technical or past performance considerations may play a dominant role.</p> <p>Currently, State of Utah purchasing agents have several methodologies available to them in source selection. A key to unlocking additional cost-savings may be found in the type of procurement conducted.</p> 	<ul style="list-style-type: none"> <li>Competitive Sealed Bidding requires the contract to be awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the Invitation for Bids. The Invitation for Bids shall set forth the requirements and criteria which will be used to determine the lowest responsive and responsible bidder. No bid shall be evaluated for any requirements or criteria that are not disclosed in the Invitation for Bids.</li> <li>Competitive Sealed Proposals require the evaluation be based on the evaluation factors set forth in the Request for Proposals. Numerical rating systems may be used but are not required. Factors not specified in the Request for Proposals shall not be considered in determining award of contract and written determination shall be made showing the basis on which the award was found to be most advantageous to the end-user based on the factors set forth in the Request for Proposals.</li> </ul>

## Step 2

### Statement of Work (SOW)/Specifications

What you need to do	Points to consider
<p><b><u>Express the contract-desired output in clear, simple concise, and legally enforceable terms</u></b></p> <p>Use a format that presents the specified tasks, expectations, requirements, etc, in an easily understood manner. A well-written SOW will enable offerors to clearly understand the requirements and needs of the end-user; allow offerors to more accurately cost or price their proposal and submit higher quality technical information; provide a baseline for the development of the Evaluation Criteria; minimize the need for costly change orders; and, allow both the State and the contractor to assess performance. Well-written specifications should clearly describe the requirements of the commodity to be purchased and encourage maximum competition. The purpose of a specification is to serve as a basis for obtaining the commodity adequate and suitable for the end-user's needs in a cost effective-manner, taking into account, to the extent practicable, the costs of ownership and operation as well as initial acquisition costs.</p> <p><b><u>What should be in a SOW?</u></b></p> <p>When conducting competitive sealed bidding, either formal or informal, the SOW is most often reflected as a combination of specifications and requirements and a contract is awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the solicitation document. A competitive sealed proposals procurement places more emphasis on factors other than cost and the SOW becomes the basis from which the offeror prepares the proposal.</p> <p>SOWs may be the most challenging of the solicitation documents. Normally a SOW is employed when the commodity to be procured is a service, considerable detail to describe the commodity is required, or the essential and technical requirements for items, materials, or services require standards to be used to determine whether the requirements have been met and contractor performance will be evaluated against the standards.</p>	<ul style="list-style-type: none"> <li>A SOW is the expression of the State's expectations of the contractor's performance and what a contractor can expect from the State. The SOW is the basis for the contract. A contract may be a lengthy formal document or a simple Purchase Order. There are three major types of SOWs and they are: <ul style="list-style-type: none"> <li>Design/detailed specification</li> <li>Level of Effort</li> <li>Performance-based</li> </ul> </li> </ul>  <ul style="list-style-type: none"> <li>All that is necessary for most contracts to be binding and legally valid are two elements. The first is that the parties are in agreement and the second is that something of value has been or is promised to be exchange. The SOW is the foundation for the first element.</li> </ul> <p><b>The SOW and/or the specifications should be performance-based to the maximum extent possible.</b> Defining "what" is being procured rather than "how" the work needs to be done or being vague and non-specific in defining the requirements may create problems down the road. When creating a SOW consideration <u>must</u> be given to how it relates to Phase Seven, Performance.</p> <p>The Scope of Work must have a breakdown of costs. The Scope of Work should divide the contractor services into billable tasks or billable units, such as a price list of equipment or supplies or a list of hourly rates for services.</p>
<p><b><u>Develop Specifications</u></b></p> <p>The Commodity Characteristics phase should make writing the specifications relatively easy. In addition to the commodity characteristics, specifications, and minimum commodity requirements, consider the line items from the TCO completed for</p>	<p>The following guidelines should be used in obtaining the specifications for the requisition:</p> <p>Identify the minimum requirements necessary to</p>

the commodity. Also include the involvement of the end-users for additional performance factors.

The specifications contained in a requisition should be a combination legal document and technical paper. Specifications determine the quality level and basis for evaluation of bids and should be reviewed each time they are used, since they are not static. If the agency's requisition is for items with special qualities (i.e. flame retardancy, machinery for use by people who are handicapped or blind, etc.) specific reference to such special requirements should be made.

Although the specifications must be written to allow for competitive bidding, this does not mean that the State must accept all bids regardless of quality. Items that are below the minimum quality level may be rejected on that basis. However, the specification sets the minimum acceptable quality and the low bid that meets this level must be accepted.

The success of the purchasing activity relies on the specification being a true and accurate statement of the buyer's requirements.

Apart from being a means of identifying the goods or services required, a specification will form part of any future contract that might result from offers received.

accomplish the task. Allow for competitive bidding. (Don't be restrictive to certain brands unless a compatibility requirement has been established.)

List criteria on which testing will be judged for compliance with specifications.

The most common used type of specification used is a "brand" name or equal/acceptable substitute. This form of specification uses a manufacturer's name and catalog number and provides for the submission of equivalent products. When writing this type of specification, list the characteristics of the item being ordered so that a proper evaluation of any alternates can be made.

If a specification for a common or general use item has been developed, the Purchasing Agent should periodically review the specification to determine whether revisions are necessary or a new specification is needed to reflect changes in the state of the art; the characteristics of the commodity; or the needs of the end-users.




## Step 3

### Possible Contract Types

What you need to do	Points to consider
<p><b><u>Examine the factors to be considered in selecting the contract type.</u></b></p> <p>The selection of an appropriate contract type depends on factors such as the nature of the supplies or services, or construction to be procured, the uncertainties which may be involved in contract performance, and the extent to which the end-user or the contractor is to assume the risk of the cost of performance of the contract.</p> <p>Contract types differ in the degree of responsibility assumed by the contractor for costs of performance and the amount and kind of profit incentive offered the contractor to achieve or exceed the specified standards or goals.</p> <p>No contract type should be selected that places and unreasonable economic risk to the contractor, since this action would tend to jeopardize satisfactory performance on the contract.</p> <p>The following sections describe the principal contract types though other types, except cost-plus-a-percentage-of-cost may be used.</p>	<p>Among the factors to be considered are:</p> <ul style="list-style-type: none"> <li>• The type and complexity of the supply, service, or construction item being procured.</li> <li>• The difficulty of estimating performance costs such as the inability of the end-user or the Purchasing Agent to develop definitive specifications, to identify the risks to the contractor inherent in the nature of the work to be performed, or otherwise establish clearly the requirements of the contract.</li> <li>• Administrative costs to both parties.</li> <li>• The degree to which the end-user or Purchasing Agent must provide technical coordination during the performance of the contract.</li> <li>• The effective of the choice of the type of contract on the amount of competition to be expected.</li> <li>• The stability of material or commodity market prices or wage levels.</li> <li>• The urgency of the requirement, length of contract performance, and any federal requirements.</li> </ul>
<p>Fixed-Price Contracts.</p> <p>A fixed-price contract is the preferred and generally utilized type of contract. A fixed-price contract places responsibility on the contractor for the delivery of the product or the complete performance of the services or construction in accordance with the contract terms at a price that may be firm or subject to contractually specified adjustments. The fixed-price contract is appropriate for use when there is a reasonably definitive requirement, as in the case of construction or standard commercial products. The use of a fixed-price contract when risks are unknown or not readily measurable in terms of cost can result in inflated prices and inadequate competition; poor performance, disputes, and claims when performance proves difficult; or excessive profits when anticipated contingencies do not occur.</p>	<p>Firm Fixed-Price Contract. A firm fixed-price contract provides a price that is not subject to adjustment.</p> <p>Fixed-Price Contract with Price Adjustment. A fixed-price contract with price adjustment provides for variation in the contract price under special conditions defined in the contract, other than customary provisions authorizing price adjustments due to modifications to the work. The formula or other basis by which the adjustment in contract price can be made shall be specified in the solicitation and the resulting contract. However, clauses providing for most-favored-customer prices for the State, that is, the price to the end-user will be lowered to the lowest priced sales to any other customer made during the contract period, shall not be used. If the contract permits unilateral action by the contractor to bring about the condition under which a price increase may occur, the contract shall reserve to the end-user the right to reject the price increase and terminate the contract without cost or damages. Notice of the price increase shall be given by the contractor in the manner and within the time specified in the contract.</p>
<p>Cost-Reimbursement Contracts.</p> <p>The cost-reimbursement contract provides for payment to the contractor of allowable costs incurred in the performance of the contract as determined in accordance with Utah Administrative Rules and provided in the contract. This type of contract</p>	<p>A cost-reimbursement contract may be used only when the procurement officer determines in writing that:</p> <p>This type of contract is likely to be less costly to the end-user</p>

<p>establishes at the outset an estimated cost for the performance of the contract and a dollar ceiling which the contractor may not exceed without prior approval of subsequent ratification by the procurement officer and, in addition, may provide for payment of a fee. The contractor agrees to perform as specified in the contract until the contract is completed or until the costs reach the specified ceiling, whichever occurs first.</p> <p>This contract type is appropriate when the uncertainties involved in contract performance are of a magnitude that the cost of contract performance cannot be estimated with sufficient reasonableness to permit use of any type of fixed-price contract. In addition, a cost-reimbursement contract necessitates appropriate monitoring by end-user personnel during performance so as to give reasonable assurance that the objectives of the contract are being met. It is particularly suitable for research, development, and study-type contracts.</p>	<p>than any other type or that it is impracticable to obtain otherwise, the supplies, services, or construction.</p> <p>The proposed contractor's accounting system will permit timely development of all necessary cost data in the form required by the specific contract type contemplated.</p> <p>The proposed contractor's accounting system is adequate to allocate costs in accordance with generally accepted accounting principles.</p> <p>Cost-Plus-Fixed-Fee Contract. This is a cost-reimbursement type contract which provides for payment to the contractor of an agreed fixed fee in addition to reimbursement of allowable, incurred costs. The fee is established at the time of contract award and does not vary whether the actual cost of contract performance is greater or less than the initial estimated cost established for the work. Thus, the fee is fixed but not the contract amount because the final contract amount will depend on the allowable costs reimbursed. The fee is subject to adjustment only if the contract is modified to provide for an increase or decrease in the work specified in the contract.</p>
<p><b>Cost Incentive Contracts</b></p> <p>Cost incentive contracts provide for the sharing of cost risks between the end-user and the contractor. This type of contract provides for the reimbursement to the contractor of allowable costs incurred up to a ceiling amount and establishes a formula in which the contractor is rewarded for performing at less than target cost or is penalized if it exceeds target cost. Profit or fee is dependent on how effectively the contractor controls cost in the performance of the contract.</p> <p>The fixed-price cost incentive contract serves three objectives. It permits the establishment of a firm ceiling price for performance of the contract which takes into account uncertainties and contingencies in the cost of performance. It motivates the contractor to perform the contract economically since cost is in inverse relation to profit; the lower the cost, the higher the profit. It provides a flexible pricing mechanism for establishing a cost sharing responsibility between the end-user and contractor depending on the nature of the supplies, services, or construction being procured, the length of the contract performance, and the performance risks involved.</p>	<p>In a fixed-price cost incentive contract, the parties establish at the outset a target cost, a target profit, a cost-sharing formula which provides a percentage increase or decrease of the target profit depending on whether the cost of performance is less than or exceeds the target cost, and a ceiling price. After performance of the contract, the actual cost of performance is arrived at based on the total incurred allowable cost as determined in accordance with administrative rules and as provided in the contract. The final contract price is then established in accordance with the cost-sharing formula using the actual cost of performance. The final contract price may not exceed the ceiling price. The contractor is obligated to complete performance of the contract, and, if actual cost exceeds the ceiling price, the contractor suffers a loss.</p> <p>Cost-Plus Contract with Cost Incentive Fee. In a cost-plus contract with cost incentive fee, the parties establish at the outset a target cost; a target fee; a cost-sharing formula for increase or decrease of fee depending on whether actual cost of performance is less than or exceeds the target cost, with maximum and minimum fee limitations; and a cost ceiling which represents the maximum amount which the end-user is obligated to reimburse the contractor. The contractor continues performance until the work is complete or costs reach the ceiling specified in the contract, whichever first occurs. After performance is complete or costs reach the ceiling, the total incurred, allowable costs reimbursed in accordance with Utah Administrative Rules and as provided in the contract are applied in the cost-sharing formula to establish the incentive fee payable to the contractor. This type contract gives the contractor a stronger incentive to efficiently manage the contract than a cost-plus-fixed-fee contract provides.</p>

	<p>Prior to entering into any cost incentive contract, the procurement officer shall make the same written determination required by cost-reimbursement contracts.</p>
<p><b>Performance Incentive Contracts</b></p> <p>In a performance incentive contract, the parties establish at the outset a pricing basis for the contract, performance goals, and a formula for increasing or decreasing the compensation if the specified performance goals are exceeded or not met. Early completion may entitle the contractor to a bonus while late completion may entitle the end-user to a price decrease.</p>	
<p><b>Time and Materials; Labor Hour Contracts</b></p> <p><b>Time and Materials Contracts.</b> Time and materials contracts provide for payment for materials at cost and labor performed at an hourly rate which includes overhead and profit.</p> <p><b>Labor Hour Contracts.</b> A labor hour contract is the same as a time and materials contract except the contractor supplies no material. It is subject to the same considerations, and the procurement officer shall make the same determinations as in the Time and Materials contract type before it is used.</p>	<p>These contracts provide no incentives to minimize costs or effectively manage the contract work. Consequently, all such contracts shall contain a stated cost ceiling and shall be entered into only after the procurement officer determines in writing that:</p> <ul style="list-style-type: none"> <li>● Personnel have been assigned to closely monitor the performance of the work; and no other type of contract will suitably serve the end-user's purpose.</li> </ul>
<p><b>Definite, Indefinite, and Requirements Contracts</b></p> <p><b>Definite Quantity.</b> A definite quantity contract is a fixed-price contract that provides for delivery of a specified quantity of supplies or services either at specified times or when ordered.</p> <p><b>Indefinite Quantity.</b> An indefinite quantity contract is a contract for an indefinite amount of supplies or services to be furnished as ordered that establishes unit prices of a fixed-price type. The contract may provide a minimum quantity the end-user is obligated to order and may also provide for a maximum quantity provision that limits the end-user's obligation to order. The time of performance of an indefinite quantity contract may be extended upon agreement of the parties provided the extension is for 90 days or less and the procurement officer determines in writing that it is not practical to award another contract at the</p> <p><b>Requirements Contracts.</b> A requirements contract is an indefinite quantity contract for supplies or services that obligates the end-user to order all the actual, normal requirements of designated using agencies during a specified period of time; and for the protection of the end-user and the contractor. Invitations for Bids and resulting requirements contracts shall include a provision. However, the end-user may reserve in the solicitation and in the resulting contract the right to take bids separately if a particular quantity requirement arises which exceeds an amount specified in the contract.</p> <p><b>Progressive and Multiple Awards</b></p> <p><b>Progressive Award.</b> A progressive award is an award of portions of a definite quantity requirement to more than one contractor. Each</p>	 <p>Requirements contracts shall contain an exemption from ordering under the contract when the procurement officer approves a finding that the supply or service available under the contract will not meet a nonrecurring, special need of the end-user.</p>

<p>portion is for a definite quantity and the sum of the portions is the total definite quantity procured.</p> <p>Multiple Award. A multiple award is an award of an indefinite quantity contract for one or more similar supplies or services to more than one bidder or offeror, and the end-user is obligated to order all of its actual, normal requirements for the specified supplies or services from those contractors.. All eligible users of the contract shall be named in the solicitation, and it shall be mandatory that the requirements of the users that can be met under the contract be obtained in accordance with the contract, provided, that:</p> <p>(a) the end-user shall reserve the right to take bids separately if a particular quantity requirement arises which exceeds an amount specified in the contract; or</p> <p>(b) the end-user shall reserve the right to take bids separately if the procurement officer approves a finding that the supply or service available under the contract will not meet a nonrecurring special need of the agency.</p>	<p>A progressive award may be in the end-user's best interest when awards to more than one bidder or offeror for different amounts of the same item are needed to obtain the total quantity or the time or times of delivery required.</p> <p>A multiple award may be in the end-user's best interest when award to two or more bidders or offerors for similar products is needed for adequate delivery, service, or availability, or for product compatibility. In making a multiple award, care shall be exercised to protect and promote the principles of competitive solicitation.</p> <p>If a progressive or multiple award is anticipated prior to issuing a solicitation, the method of award shall be stated in the solicitation.</p>
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## Step 4

### Supplier Analysis

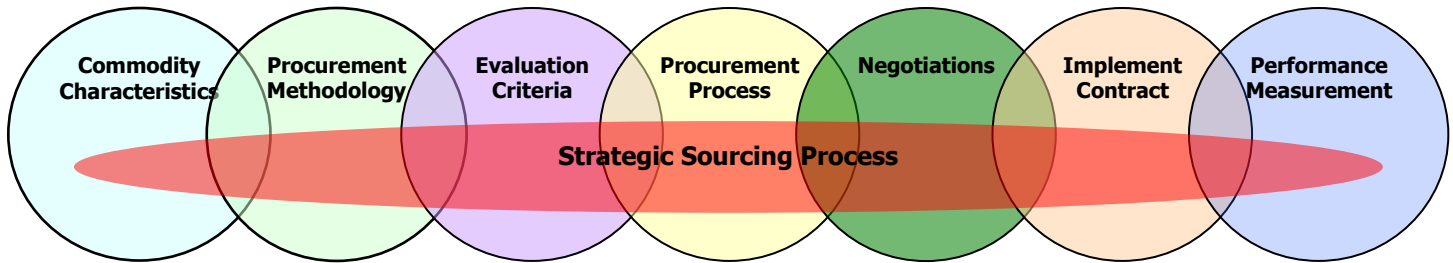
What you need to do	Points to consider
<p><b><u>What is the supplier base for the procurement?</u></b></p> <p>It is important to understand what the anticipated supplier base is capable of producing or providing. Too narrow or limiting SOWs or specifications will lead to minimized competition or higher costs in the event excessive risks are evident to the prospective bidders or offerors.</p> <p>If the known supplier base is too small to ensure adequate competition, the purpose of this step is to explore how to broaden the base. Examine the SOW and/or specification. Are there performance expectations or specifications that unnecessarily constrain the participation in the procurement?</p> <p><b><u>Conduct Government-to-Business (G2B) Benchmarking.</u></b></p> <p>Using the information gathered from Phase One and the previous steps contained within this Phase, contact commercial businesses that utilize the same goods and/or services of the anticipated procurement to compare specifications and end-results.</p>	<ul style="list-style-type: none"><li>• The immediate supplier base can be examined by using the existing vendor registration system. This database will provide all of the vendors registered for the commodity.</li><li>• Discuss the SOW and/or specifications with suppliers and gather their input. If minor adjustments to the requirements may be made, these may be presented to the end-users for consideration.</li><li>• Utilize available trade or industry publications. Are there certain times of the year the industry most involved in the commodity is lean? Are factory orders for the identified commodity up or down?</li><li>• Purchasing agents within the Division of Purchasing do not have to view themselves as isolated from counterparts and peers in the private sector. While the public procurement process may be different from those practices employed by the private sector, many of the hurdles involving specifications and suppliers are similar.</li></ul>

## Step 5

### Risk Factors

What you need to do	Points to consider
<p><u>Establish a process for identifying, analyzing, assessing, tracking, and controlling associated risks in terms of cost, scheduling, quality, and technical execution of the acquired goods and/or services.</u></p> <p>Risk is present in all procurements undertaken by the Division of Purchasing. The degree of risk varies for each procurement and the criticality of risk also is different. What are the risks associated with the procurement? Will a failure to provide timely delivery cause increased costs or severe adverse effects on the end-user?</p> <p>Risk is the probability of something going wrong with either the purchased goods or services and the consequences thereof.</p>	<p>Purchasing risk depends on the consequences <b>and</b> the probability of something going wrong with either the purchased good or service or the purchasing transaction. The risk to be assessed is the risk to the buyer (the department/agency) and is assessed by the buyer. Risk exposures arise from four sources:</p> <ul style="list-style-type: none"><li>• the end-user;</li><li>• the product or service;</li><li>• the supplier; and/or</li><li>• the market.</li></ul> <p>Quality Assurance cannot be used to manage market related risks. It is useful for managing product or service related risks and to a lesser extent those related to the supplier.</p>

## Phase Three – Evaluation Criteria



Steps in Strategic Sourcing Phase Three	Evaluation Approach	Evaluation Plan	Evaluation Criteria	Evaluation Reports	Evaluation Award Justification
Useful Links and Resources	<a href="#">RFP Manual</a>				<a href="#">StopLight Chart</a>
Primary activities	Define the Evaluation Approach to be used on the procurement and define the high-level categories.	Create an Evaluation Plan covering the entire evaluation process up to award.	Develop High-level categories then drill down to individual criterion to be used for selection.	Create an Evaluation Report and an award justification statement.	Produce a public Evaluation Award Justification statement or document.
Evaluation criteria development guidance documents	<a href="#">RFP Manual</a>	Evaluation Plan Guide			
				Sample Evaluation Manuals	Award Justification Guide

## Step 1

### The Evaluation Approach

What you need to do	Points to consider
<p><b><u>Specify the priorities for the procurement and the critical success factors.</u></b></p> <p>The Evaluation Approach covers the overall strategy towards the evaluation for a procurement process and provides the baseline against which all other evaluation documentation is measured. The actual evaluation documentation produced depends on the scope and complexity of the procurement; large-scale procurements and competitive sealed proposals require the full range, whereas smaller procurements and competitive sealed bidding may only need an Evaluation Plan combining all the relevant elements.</p>	<p>The Evaluation Approach includes consideration of end-user goals, critical success factors, the relative priorities of the high-level categories (e.g. Past Experience more important than Approach to Contract Performance, etc), a framework for the development of an Evaluation Plan for each stage of selection, and the State personnel involved.</p> <p>The Evaluation Approach is impacted by the determination of which procurement process was selected in Phase 2, Step 1:</p> <ul style="list-style-type: none"> <li>• Competitive Sealed Bidding <ul style="list-style-type: none"> <li>○ General</li> <li>○ Multi-Step Bidding</li> <li>○ Reverse Auctions</li> </ul> </li> <li>• Competitive Sealed Proposals</li> </ul>
<p><b><u>Best Value and Total Cost of Ownership (TCO).</u></b></p> <p>The evaluation approach should embody the principle of best value across the whole life of the contract. Best Value can be defined as the optimum combination of the total cost of ownership, quality, and timeliness. Use the TCO form used in Phase One, Step Three, as well as the other information obtained from Phase One.</p>	
<p><b><u>Establish the high-level categories.</u></b></p> <p>The critical success factors for a project will be set out through the previous activities associated with this step and be further defined into actual evaluation-level criteria as the procurement and supporting documentation take shape. As the procurement progresses from the original requisition (RX) through development of the solicitation document, the high-level categories will be developed into individual criterion for the evaluation.</p>	<p>Some examples of high-level categories are:</p> <ul style="list-style-type: none"> <li>• Understanding of the end-user's environment</li> <li>• Corporate Experience</li> <li>• Approach to Contract Performance</li> <li>• Technology</li> <li>• Past Performance</li> </ul>



## Step 2

### Evaluation Plans

What you need to do	Points to consider
<p><b><u>Prepare an Evaluation Plan</u></b></p> <p>An Evaluation Plan may not be necessary for all procurements. However, the more complex the procurement and the more extensive the evaluation process will be, an Evaluation Plan provides an encompassing framework for activities and provides a checklist of considerations.</p> <p>Under no circumstances should new or revised evaluation criteria be introduced during the evaluation of offers. Take the time to think carefully about how you plan to select the best offer and be sure to ask the suppliers to provide you with all the information that you might need to fully evaluate their offers.</p>	<p>The Evaluation Plan may include:</p> <ul style="list-style-type: none"><li>• The planned procurement schedule</li><li>• The participants and their roles. Not all evaluators may have all the necessary expertise in their respective disciplines to fully evaluate a bid or proposal. Therefore, utilizing technical experts for certain categories within the evaluation may be necessary to accurately and fairly examine the bid or proposal submission.</li><li>• Will site visits, discussions, or oral presentations be planned? If so, the Evaluation Plan may include time estimates.</li></ul>

## Step 3

### Evaluation Criteria

What you need to do	Points to consider
<p><b><u>Establish Individual Criterion.</u></b></p> <p>The criteria should proceed to providing increasing levels of granularity against which to assess suppliers and their bids or proposals. The use of the supplier analysis activities and market analysis to identify what is available and how suppliers might respond to the categories will also assist in the development of evaluation criteria.</p> <p>Evaluation criteria are not developed in isolation, but in conjunction with business and project requirements. This means they can be tested against each other to ensure they are complementary. It also ensures that the responses required from suppliers include all of the information necessarily required to undertake the assessment.</p>	<p>All the categories from the previous step should have evaluation criteria associated with them (or suppliers will be put to needless work).</p> <p>All topics covered by the evaluation criteria should relate to the categories and other activities to be evaluated such as references, experience, past performance, etc. (or the information on which to base the evaluation will not be available).</p>
<p><b><u>Model</u></b></p> <div style="text-align: center;"> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: 80%;"> <p><b>Critical Success Factor</b></p> <p>A solution that enables the public to access the computer system to make payments at times convenient to the user through a range of easy to use and readily available access points.</p> </div> <div style="font-size: 2em; margin: 10px auto;">↓</div> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: 80%;"> <p><b>High Level Category</b></p> <p><b>“Technology”</b></p> <p>Does the proposed solution provide a robust infrastructure capable of supporting a large number of concurrent users 24/7 with interfaces to support a range of access technologies?</p> </div> <div style="font-size: 2em; margin: 10px auto;">↓</div> <div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: 80%;"> <p><b>Evaluation Criterion</b></p> <p>Does the proposed solution support a range of readily available access points including commonly used PC technologies, the Internet, telephone, TTDY, and public kiosks?</p> </div> </div>	<p>All the categories from the previous step should have evaluation criteria associated with them (or suppliers will be put to needless work).</p> <p>Topics covered by the evaluation criteria should relate to the categories and other activities to be evaluated such as references, experience, past performance, etc. (or the information on which to base the evaluation will not be available).</p> <ul style="list-style-type: none"> <li>The criteria should proceed to providing increasing levels of granularity against which to assess suppliers and their bids or proposals. The use of the supplier analysis activities and market analysis to identify what is available and how suppliers might respond to the categories will also assist in the development of evaluation criteria.</li> <li>Evaluation criteria are not developed in isolation, but in conjunction with business and project requirements. This means they can be tested against each other to ensure they are complementary. It also ensures that the responses required from suppliers include all of the information necessarily required to undertake the assessment.</li> </ul>
<p><b><u>Weighted Scoring Methodology (Matrix Selection Methodology)</u></b></p> <p>Assign Point Values to High-Level Categories and Individual Criterion.</p> <p>The weighting of the criteria must reflect the priority of importance of</p>	<p>The following list of criteria is an example only. Please adjust the criteria to reflect the requirements listed in your RFP.</p> <p>WEIGHT EVALUATION CRITERIA</p>

<p>the information asked for in the RFP. Carefully review the evaluation criteria and the weighting of criteria with the evaluation committee prior to submitting the RFP to State Purchasing.</p> <p>The matrix selection (or weighted scoring) method is used when it is necessary to make a more complex evaluation based on a number of variables of differing importance. For each offer, this method combines a compliance rating with a weighting for the relative importance of each evaluation criterion. This method is very effective in dealing with more complicated requirements and can greatly assist in the selection of a preferred supplier when the total scores are widely distributed. However, problems can arise with this method when there is little difference between the total scores for different offerors, thus complicating the justification of a decision to prefer one supplier over the other. It is easily adapted to include consideration of risk and to provide additional differentiation of offers by calculating a best value ratio also known as the cost effectiveness ratio. (See optional step 6 as follows for an explanation of those terms.)</p>	<p>40 % Cost</p> <p>Generally cost is weighted between 30 and 50 percent. A weight less than 30% requires approval by the State Director of Purchasing.</p> <p>20% Demonstrated ability to meet the scope of work</p> <p>15% Demonstrated technical capability (proven track record), etc.</p> <p>15% Qualification and expertise of staff proposed for this project.</p> <p>10% Performance references for similar projects.</p> <p>Under no circumstances should the criteria or weighting attached to each criteria be varied during the offer process (without informing all of the offerors). This will amount to a breach of an express or implied term of the conditions of offer that:</p> <p>(a) the evaluation of the offers should be conducted fairly; and</p> <p>(b) each of the offerors will be dealt with fairly.</p>
<p><b><u>The Weighted Scoring Methodology Process</u></b></p> <p>Identify the criteria that will be compared. This has been accomplished through the preceding steps.</p> <p>Assign a relative weighting to each desirable criterion, based on relative importance.</p> <p>Weighting of the desirable criteria may be done quantifiably or subjectively (by the use of professional judgment or a paired comparison approach). Weightings must be decided before the release of any RFP or other solicitation documents and must be included in the published documents.</p> <p>Allocate a score to each proposal for each criterion.</p> <p>Assess the extent to which the criteria are satisfied in each offer and assign a score reflecting this. A numerical scoring system similar to the one identified further in this Guide may be used or some other systems devised for the purpose of the evaluation.</p> <p>Each technical proposal will be evaluated against the pre-determined criteria to assess the degree to which it meets that criterion. Compliance with requirements will be assessed as a point score on a scale from "0" to "5" as shown below:</p> <p>0 = Failure, no response</p> <p>1 = Poor, inadequate, fails to meet requirement</p> <p>2 = Fair, only partially responsive</p> <p>3 = Average, meets minimum requirement</p> <p>4 = Above average, exceeds minimum requirement</p> <p>5 = Superior</p> <p>Calculate a weighted score for each proposal for each criterion. Multiply the weighting factor by the score, to calculate a weighted score for each criterion, for each offer. The weighted scores for each offer can then be totaled, allowing for comparison between offers.</p> <p>Finally all the offers are compared with each other on the basis of the total value of the weighted scores. A rank order of preferred suppliers is generated with the highest score most preferred and so on.</p>	<p>Remember that only desirable criteria will be scored. Any offer which does not satisfy a mandatory criterion will not be evaluated any further. Essential or mandatory criteria are not weighted as they represent a "go/no go" decision - the offer either complies with the requirement and is accepted for further evaluation, or it does not comply and is rejected from any further consideration.</p> <p>The published weightings need only be at the high-level criteria level.</p> <p>Where possible, scoring should be based on reference to established standards, quantifiable measures or an agreed rating framework to minimize the degree of subjectivity in the process. Reasons are usually listed for each numeric rating to indicate how the score was arrived at.</p> <p>Because cost is objectively rather than subjectively scored, the evaluation committee is not involved in the cost evaluation. Purchasing agents within the Division of Purchasing and General Services will calculate the cost score using the following formula: <math>\text{Cost Points Possible} \times (2 - (\text{Proposal Price} / \text{Lowest Proposal Price}))</math></p> <p>A comment section for each criterion is provided on the evaluation form. Comments are encouraged. For any evaluation criterion, receiving a score of "0" or "1" the reason for the scoring must be recorded by the evaluator in the "comments" section corresponding to the criterion.</p> <p>Sample Scoring sheets can be found in the RFP Manual.</p>

**Best Value Ratio (Optional)**

The Best Value or cost-effectiveness ratio methodology adds an extra step to the analyses of the weighted scoring methodology. This methodology uses the following data:

- the total cost of the offer (cost dimension); and
- the total of the points scored against the other criteria (effectiveness dimension).

A Best Value or cost-effectiveness ratio for each offer is calculated by dividing the total cost of the offer by the total of points scored (excluding the points for cost). The offer with the lowest cost-effectiveness ratio is selected as the best value.

An example of the Best Value Ratio calculation is as follows:

Offeror A \$1,384,964.00 /80pts scored = 17,312.05

Offeror B \$1,265,382.00/75pts scored = 16,871.80

Offeror C \$1,298,999.00/83pts scored = 15,650.59

Offeror D \$1,564,433.00/90pts scored = 17,382.58

Offeror E \$1,452,631.00/91pts scored = 15,962.97

Offeror C represents the best value.

## Step 4

### Evaluation Reports

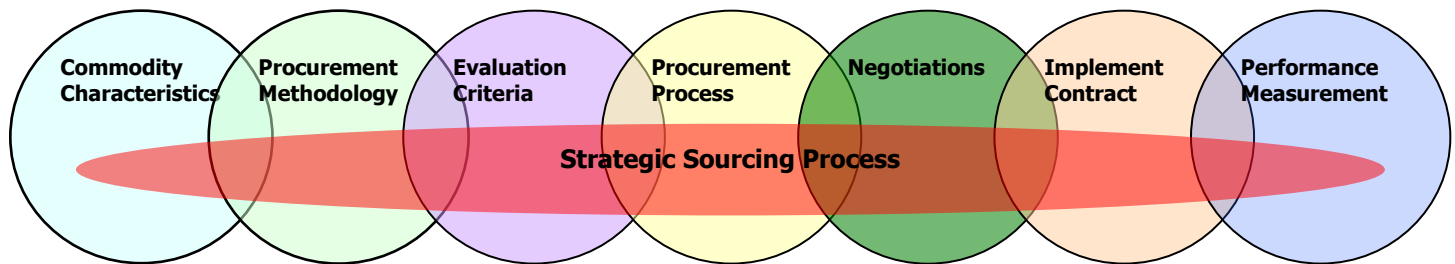
What you need to do	Points to consider
<p><b><u>Create an Evaluation Report</u></b></p> <p>After completion of the evaluation, a detailed evaluation report may be completed and placed in the permanent procurement or bid file. The evaluation report should contain the basis for the publicly available justification statement. For purposes of this section the term offer is used to encompass both proposals received in response to a RFP (competitive sealed proposals) and those bids received in response to a multi-step ITB (competitive sealed bidding) during phase one of the process. Similarly, the term offeror includes those bidders in phase one of a multi-step procurement process.</p> <p>There is no fixed format for this report and each purchasing agent may have a preferred format.</p> <p>Typical contents of an evaluation report would include:</p> <ul style="list-style-type: none"> <li>• <b>EXECUTIVE SUMMARY</b> This section provides an overview of the completed evaluation and makes a recommendation as to the selection of an offeror. It will usually summarize any critical issues relating to the evaluation and the rationale used to select the preferred offeror. The executive summary should also contain details of any consultation undertaken during the evaluation, the nature of any advice received and whether that advice was accepted or not.</li> <li>• <b>BODY OF REPORT</b> This part of the report should include a copy of the evaluation plan used for the evaluation. It should describe in detail the process of evaluation adopted and the evaluation method applied, including detail concerning offers that were screened or <b>shortlisted</b> out of further assessment and information as to why such action was necessary. Some purchasing agents also like to include a summary of offers received, outlining the strengths and weaknesses of each offer and a brief description of the offer and the supplier's capacity. This part of the report should also contain any other information related to the assessment of total cost of ownership, information about any contact with offerors (such as site visits or requests for clarification) and any other relevant matters. It should conclude with a justified ranking of offers received, and a supported recommendation as to a preferred supplier.</li> </ul>	<p>Evaluation Reports may be considered the same as the official procurement file. The contents are the same although the Evaluation Report may be a more formal document and would be contained within the official procurement file.</p> <p>Be aware that information contained in your Evaluation Report may become public should an offeror successfully apply under the Government records Management Act (GRAMA.) There are exemptions in GRAMA which will protect information that is of commercial value to an offeror or if disclosure is expected to have an adverse effect on the business, professional, commercial or financial affair of an offeror. Please refer to the Understanding GRAMA Guide.</p> <p>It is important that purchasing agents should follow a fair and ethical process and keep good records for the audit trail.</p> <p>It is usual to include copies of the individual evaluations completed for each offer against the selection criteria as well as the results of the comparative assessment of the offers.</p>

## Step 5

### Evaluation Award Justification Statement or Document

What you need to do	Points to consider
<p><b><u>Prepare a brief award justification statement or document</u></b></p> <p>The justification statement or document must show the basis on which an award was found to be the most advantageous to the state taking into consideration price and other evaluation factors set forth in the Request for Proposals.</p> <p>The justification statement should be brief, but contain sufficient information to demonstrate why a particular offer was more favorable than the competing offers. The justification shall include the rationale for any business judgments and tradeoffs made or relied upon by the evaluation committee, including benefits associated with higher or increased costs.</p> <p>Although the rationale for the selection decision must be included as part of the justification, the justification need not quantify the tradeoffs that led to the decision.</p>	<p>The statement or document prepare under this step is considered a public document.</p> <p>A tradeoff process is appropriate when it may be in the best interest of the state to consider award to other than the lowest priced offeror or other than the highest technically rated offeror. When using a tradeoff process, the following apply:</p> <ul style="list-style-type: none"> <li>(1) All evaluation factors and significant subfactors that will affect contract award and their relative importance shall be clearly stated in the solicitation; and</li> <li>(2) The solicitation shall state whether all evaluation factors other than cost or price, when combined, are significantly more important than, approximately equal to, or significantly less important than cost or price.</li> </ul> <p>This process permits tradeoffs among cost or price and non-cost factors and allows the Government to accept other than the lowest priced proposal. The perceived benefits of the higher priced proposal shall merit the additional cost, and the rationale for tradeoffs must be documented in the justification statement or document.</p>

## Phase Four



### PHASE FOUR

#### Procurement Process

Steps in Strategic Sourcing Phase Four	Solicitation Document	Visits, Questions, Discussions and Oral Presentations	Addenda	Evaluate Bids/Proposals	Contract Award
Useful Links and Resources	<a href="#">RFP Manual</a> <a href="#">Multi-Step Manual</a>		<a href="#">Addenda Format</a>	<a href="#">Phase Three</a>	
Primary activities	Ensure a thorough understanding of the solicitation documents.	Permit as much interaction with prospective bidders and offerors as permissible under the procurement methodology chosen.			
Procurement methodology guidance documents	<a href="#">RFP Manual</a> <a href="#">Multi-Step Manual</a>				
	<a href="#">Strategic Sourcing Guide</a>				

## Step 1

### Solicitation Documents

What you need to do	Points to consider
<p><b><u>Ensure a thorough understanding of the purpose of the solicitation documents and embrace the objectives of openness, fairness, and competitiveness.</u></b></p> <p>The ultimate goal of the solicitation documents are to provide the end-users with goods and services of the highest quality, in the quantity necessary, on a timely basis, as efficiently as possible, and at the best value to the State of Utah.</p> <p>The purpose of the solicitation documents is to ensure the fair and equitable treatment of all persons who deal with the procurement process of the State of Utah; to provide increased economy in state procurement activities; and, to foster effective broad-based competition within the free market system.</p>	<ul style="list-style-type: none"> <li>• Competition means that the solicitation takes active steps to ensure that as many bids/proposals are received.</li> <li>• All ITB issued under this Phase must contain the criteria to be used in the evaluation of bids, including those submitted under a multi-step or reverse auction procurement.</li> </ul>
<p><b><u>Establish the Content of an Invitation to Bid (ITB)</u></b></p> <p>The Invitation to Bid (ITB) is used to initiate a competitive sealed bid procurement. The ITB must include instructions and information to bidders concerning the bid submission requirements, including the time and closing date for submission of bids, the address of the office to which bids are to be received, and any other special information.</p> <p>The purchase description, SOW/specifications from Phase 2, step 2, evaluation factors from Phase 3, step 3, and any other inspection and acceptance requirements not included in the SOW/specifications. The contract terms and conditions, including warranty and bonding or other security requirements, as applicable. The ITB may incorporate documents by reference provided the ITB specifies where the documents can be obtained, e.g. a procurement library. The ITB must require the acknowledgement of the receipt of all addenda issued. All ITBs must contain a statement that bidders may designate those portions of the unpriced technical bids which contain trade secrets or other proprietary data which are to remain confidential. (See step 3 of this Phase of Strategic Sourcing)</p> <p>The ITB must also specify any clauses pertaining to damages and associated penalties as may be applied. The most common damages are liquidate and consequential. The Purchasing Agent should consider and determine appropriate damages during the development of the SOW/specifications step and when determining the type of contract to use.</p> <p>The ITB must provide a form on which the price bid must be inserted and which the bidder shall sign and submit along with all other necessary submissions.</p>	<p>The ITB <i>may</i> state that facsimile bids will be considered provided they are received at the designated address by the time specified in the ITB provided the facsimile makes reference to the ITB, the time and place of delivery, and a statement that the bidder agrees to all the terms, conditions, and provisions of the ITB. Bidders submitting a facsimile bid must submit a formal bid on the ITB form(s) within three days of the bid opening or a time designated by the Purchasing Agent.</p> <p>When called for in the ITB, samples must be provided free of expense, and if not destroyed by testing, will, upon request, be returned to the bidder at the bidder's expense. Samples submitted by the successful bidder may be held for comparison with merchandise furnished and will not necessarily be returned.</p> <p>In addition to the requirements unique to the purchase of construction, bid bonds, performance bonds, or other security may be required for supply or service contracts as deemed advisable by the Purchasing agent to protect the interests of the State of Utah; the ITB must set forth the requirements.</p> <p>The inclusion of damages clauses may result in increased bid prices due to the assumption of greater risk by the bidder in the event they are awarded the contract. All such clauses must be reasonable and be based upon the criticality of the failure to perform.</p> <p>The price submitted in response to an ITB must stand alone and may not be dependent upon a bid submitted by any other bidder. A bid reliant upon the submission of another bidder must not be considered for award.</p>
<p><b><u>Establish the Additional Content for a Multi-Step Sealed Bid ITB</u></b></p> <p>In addition to the content requirements contained in competitive sealed bidding, an ITB for a multi-step procurement must include a</p>	<p>A multi-step ITB must state whether price bids are to be submitted at the same time as unpriced technical bids and, if so, they must be submitted in a <u>separate</u> sealed envelope.</p>



<p>statement that <u>unpriced</u> technical bids are requested and that it is a multi-step procurement and priced bids will be considered only in the second phase and only from those bidders whose unpriced technical bids are found acceptable in the first phase. Also, the ITB issued for a multi-step procurement must state that the item(s) or services being procured must be furnished <i>generally</i> in accordance with the bidder's technical bid as found to be finally acceptable and must meet the requirements of the ITB as may be amended throughout the overall procurement process.</p>	<p>A multi-step bid process permits oral or written discussions. Reference Phase 2, step 1 and step 2 of this Phase of the Strategic Sourcing process for more information.</p>
<p><u>Establish the Additional Content for a Reverse Auction ITB</u></p> <p>In addition to the content requirements contained in competitive sealed bidding, an ITB for a reverse auction procurement must include a statement that <u>unpriced</u> technical bids are requested and that it is a reverse auction procurement and priced bids will be considered only in the second phase and only from those bidders whose unpriced technical bids are found acceptable in the first phase. Also, the ITB issued for a reverse auction procurement must state the manner which the second phase reverse auction will be conducted. The ITB may be amended throughout the overall procurement process.</p>	<p>A reverse auction bid process permits oral or written discussions. Refer to Phase 2, step 1 and step 2 of this Phase of the Strategic Sourcing process for more information.</p>
<p><u>Establish the Content for a Request for Proposals (RFP)</u></p> <p>A Request for Proposals (RFP) is used to initiate competitive sealed proposal procurements. In addition to the requirements of competitive sealed bidding, a RFP must also include a statement that discussions may be conducted with offerors who submit proposals determined to be reasonable susceptible of being selected for award, but that proposal may be accepted without discussions and a statement of when and how price proposals should be submitted. The manner in which proposals are to be submitted, including any forms for that purpose should be stated in the RFP.</p>	<p>An RFP should, in addition to the evaluation criteria, include the format of content of the submitted proposal, i.e. an Executive Summary, highlighting the proposal that may be easily removed and contains no proprietary data, may be requested. The organization of the content may also be specified to coordinate with the evaluation manuals prepared in Phase 3, step 4.</p>

## Step 2

### Visits, Questions, Discussions, and Oral Presentations

What you need to do	Points to consider
<p><b><u>Assess whether or not site visits will assist in the evaluation.</u></b></p> <p>In some instances, a site visit to the bidder's or offeror's facilities will help the evaluation committee assess such areas as production capabilities, equipment demonstrations, storage capacity, etc. Site visits during the procurement process are used in three general ways: to provide visual information about a bidder or offeror, to permit the evaluation team to ask questions to determine the responsibility of the bidder or offer, and/or to verify the information presented in a specific bid or proposal.</p> <p>The Evaluation Committee Chair should act as the site visit coordinator or may assign a site visit coordinator from the evaluation committee. Most, if not all of the evaluation committee should be in attendance for the visits.</p> <p>It is important that the evaluation committee establish protocols for the site visits. Protocols are the sets of guidelines under which the site visit will be conducted. Who will be asking questions? What types of questions will be permissible? Will there be a spokesperson for the attendees? Will someone be taking notes? These are the types of questions the site visit coordinator should ask the evaluation committee prior to the site visit and all members of the evaluation committee should be clear on the protocols. The bidder/offeror should also be made aware of the protocols when the site visit is scheduled.</p>	<ul style="list-style-type: none"> <li>Site visits can help all members of the evaluation committee understand more of the nuances of the goods or services being procured and therefore provide a more thorough and detailed evaluation.</li> <li>Care should be taken to avoid disclosure of any information derived from one bidder/offeror to another during the site visits.</li> <li>During all site visits, ethical considerations must be adhered to. The evaluation committee represents the government and any real or perceived conflict of interest, favoritism, inappropriate behavior, acceptance of gratuities, etc. during the site visit may jeopardize not only the procurement at hand, but also the integrity of the Division of Purchasing and General Services.</li> </ul>
<p><b><u>Permit prospective bidders or offerors the opportunity to submit questions.</u></b></p>	<ul style="list-style-type: none"> <li></li> </ul>
<p><b><u>Discussions with Bidders/Offerors (Refer to Phase Five for a detailed approach to this step)</u></b></p> <p>Discussions with bidders is not normally undertaken</p>	<ul style="list-style-type: none"> <li>Once discussions are begun, any bidder who has not been notified that</li> </ul>

<p>for routine competitive sealed bidding processes. However, for multi-step and reverse auction methodologies, discussions may be conducted by the Purchasing Agent with any bidder who submits an acceptable or potentially acceptable technical bid. During the course of these discussions disclosure of any information derived from one unpriced technical bid to any other bidder is prohibited.</p> <p>During a competitive sealed proposals procurement discussions may be held to facilitate and encourage an adequate number of potential contractors to offer their best proposals, by amending their original offers, if needed. The Purchasing Agent should establish procedures and schedules for conducting discussion. If before, or during discussions there is a need for clarification or change to the RFP, it shall be amended.</p>	<p>its bid has been finally found unacceptable may submit supplemental information modifying or otherwise amending its technical bid at anytime until the closing date established by the Purchasing Agent.</p> <ul style="list-style-type: none"> <li>• Submissions of supplemental information may be made at the request of the Purchasing Agent or upon the bidder's own initiative.</li> <li>• For purposes of competitive sealed proposals, the term "offerors" includes only those businesses submitting proposals that are acceptable or potentially acceptable.</li> </ul>
<p><b><u>Conduct of Oral Presentations</u></b></p> <p>An oral presentation by an offeror to clarify a proposal may be required at the sole discretion of the State. However, the State may award a contract based on the initial proposals received without discussion with the Offeror. If oral presentations are required, they will be scheduled after the submission of proposals. Oral presentations will be made at the offeror's expense.</p> <p>When oral presentations are required, the solicitation shall provide offerors with sufficient information to prepare them. Accordingly, the solicitation may describe:</p> <p>(1) The types of information to be presented orally and the associated evaluation factors that will be used;</p> <p>(2) The qualifications for personnel that will be required to provide the oral presentation(s);</p> <p>(3) The requirements for, and any limitations and/or prohibitions on, the use of written material or other media to supplement the oral presentations;</p> <p>(4) The location, date, and time for the oral presentations;</p> <p>(5) The restrictions governing the time permitted for each oral presentation; and</p> <p>(6) The scope and content of exchanges that may occur between the Government's participants and</p>	<p>CURRENTLY UNDER REVISION</p> <ul style="list-style-type: none"> <li>• To properly evaluate during a procurement, an offeror's proposal may need to be clarified. Oral presentations are then scheduled to answer questions by evaluation committee members. <i>The offeror's original proposal cannot be changed in any aspect at the oral presentation.</i> The oral presentation is only to allow offerors the opportunity to clarify portions of their proposals.</li> <li>• In deciding what information to obtain through an oral presentation, consider the following: <ul style="list-style-type: none"> <li>(1) The evaluation committee's ability to adequately evaluate the information;</li> <li>(2) The need to incorporate any information into the resultant contract;</li> <li>(3) The impact on the efficiency of the acquisition; and</li> <li>(4) The impact (including cost) on small businesses. In considering the costs of oral presentations, contracting officers should also consider alternatives to on-site oral presentations (e.g., teleconferencing, video teleconferencing).</li> </ul> </li> </ul>

the offeror's representatives as part of the oral presentations, including whether or not discussions (refer to the previous section within this step or Phase Five for more details) will be permitted during oral presentations.	
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### Step 3

### Addenda

What you need to do	Points to consider
<p><b><u>Determine if an addendum is necessary?</u></b></p> <p>An addendum should be used to make any changes in the ITB or RFP including changes to quantity, purchase descriptions, i.e. SOW/specification, delivery schedules, opening dates, deficiency correction, clarify ambiguities, or furnish to other bidders/offerors information given to one bidder if the information will assist the other bidders in submitting bids or if the lack of information would be inequitable to other bidders.</p> <p>In addition, for multi-step and reverse auction procurements, after receipt of the unpriced technical bids, amendments to the ITB are to be distributed only to bidders who submitted unpriced technical bids and they shall be allowed to submit new unpriced technical bids or amend those submitted.</p> <p>Amendments to a RFP prior to proposal submission should be made as stated above. However, after submission of proposals, amendments to the RFP are to be distributed only to offerors who submitted proposals and they shall be allowed to submit new proposals or amend those submitted. An amendment to a RFP may be issued through the Best and Final Offer (BAFO) process.</p>	<p>NOTE: Utah Administrative Code/Rules uses the term "amendment". For purposes of practical use, the Utah Division of Purchasing equates this term with "Addendum." Based upon true procurement legalisms and case law, addendums <i>add</i> to a document and an amendment <i>changes</i> a document. However, the Division may <i>amend</i> a solicitation through the issuance of an addendum.</p> <p>Just as an addendum <i>adds</i> to a document, and an attachment is incorporated as part of a document, an Exhibit is representative of a document or process and is not necessarily binding.</p> <p>Addenda must be identified as such and require that the bidder/offeror acknowledge receipt. Addenda shall be sent to all bidders known to have received an ITB.</p> <p>In a multi-step or reverse auction procurement amendments to the ITB will only be distributed to bidders who submitted unpriced technical bids and they will be allowed to submit new unpriced technical bids or to amend those submitted. If, in the opinion of the Purchasing Agent, a contemplated addendum will significantly change the nature of the procurement, the ITB shall be cancelled.</p>

## Step 4

### Evaluate Bids/Proposals

What you need to do	Points to consider
<p><b><u>Competitive Sealed Bidding Evaluations</u></b></p> <p>All awards made under the competitive sealed bidding process must be awarded to the lowest responsible and responsive bidder whose bid meets the requirements and criteria set forth in the Invitation for Bids. No bid shall be evaluated for any requirements or criteria that are not disclosed in the Invitation for Bids.</p> <p><b><u>Responsibility and Responsiveness</u></b></p> <p>Responsibility</p> <p>Among factors to be considered in determining whether the standard of responsibility has been met are whether a prospective contractor has:</p> <p>(a) available the appropriate financial, material, equipment, facility, and personnel resources and expertise, or the ability to obtain them, necessary to indicate capability to meet all contractual requirements;</p> <p>(b) a satisfactory record of integrity;</p> <p>(c) qualified legally to contract with the purchasing agency; and</p> <p>(d) unreasonably failed to supply any necessary information in connection with the inquiry concerning responsibility.</p> <p>A prospective contractor shall supply information requested by the purchasing agent concerning the responsibility of the contractor. If the contractor fails to supply the requested information, the purchasing agent shall base the determination of responsibility upon any available information or may find the prospective contractor nonresponsible if the failure is unreasonable.</p> <p>The prospective contractor may demonstrate the availability of necessary financing, equipment, facilities, expertise, and personnel by submitting upon request:</p> <p>(1) evidence that the contractor possesses the necessary items;</p> <p>(2) acceptable plans to subcontract for the necessary items; or</p> <p>(3) a documented commitment from, or explicit arrangement with, a satisfactory source to provide</p>	<ul style="list-style-type: none"> <li>The Invitation for Bids shall set forth the requirements and criteria which will be used to determine the lowest responsive and responsible bidder (refer to previous phases for details).</li> <li>A "responsible bidder" means a person who has the capability in all respects to perform fully the contractual requirements and who has the integrity and reliability which will assure good faith performance.</li> <li>An Invitation for Bids, a Request for Proposals, or other solicitation may be canceled, or any or all bids or proposals may be rejected, in whole or in part, when it is the best interests of the purchasing agency as determined by the purchasing agency. In the event of cancellation of the solicitation or rejection of all bids or proposals received in response to a solicitation, the reasons for cancellation or rejection shall be made a part of the bid file and shall be available for public inspection and the purchasing agency shall (a) re-solicit new bids using the same or revised specifications; or (b) withdraw the requisition for supplies or services.</li> <li>Nothing shall prevent the purchasing agent from establishing additional responsibility standards for a particular procurement, provided that these additional standards are set forth in the solicitation.</li> </ul>

the necessary items.

If a bidder or offeror who otherwise would have been awarded a contract is found nonresponsible, a written determination of nonresponsibility setting forth the basis of the finding shall be prepared by the procurement officer. The determination shall be made part of the procurement file.

#### Responsiveness

The determination of responsiveness is most often not a subjective determination, but more objective and factual.

A bid shall be considered responsive only if it conforms to the requirements of the Invitation for Bids concerning pricing, surety, insurance, specifications of the goods or services requested, and any other matter unequivocally stated in the Invitation for Bids as a determinant of responsiveness, provided, however, that the alternative methods may be considered and awarded unless specifically prohibited.

Additional elements that may be considered when evaluating competitive sealed bids include:

#### Product Acceptability

The Invitation for Bids shall set forth the evaluation criteria to be used in determining product acceptability. It may require the submission of bid samples, descriptive literature, technical data, or other material. It may also provide for:

(a) inspection or testing of a product prior to award for such characteristics as quality or workmanship;

(b) examination of such elements as appearance, finish, taste, or feel; or

(c) other examinations to determine whether it conforms with any other purchase description requirements.

#### Determination of Lowest Bidder.

Bids should be evaluated to determine overall economy for the intended use, in accordance with the evaluation criteria set forth in the Invitation for Bids. Examples of criteria include transportation cost, energy cost, ownership and other identifiable costs or life-cycle cost formulae. Evaluation factors need not be precise predictors of actual future costs, but to the extent possible the evaluation factors shall:

(a) be reasonable estimates based upon information the purchasing agency has available concerning future use; and

(b) treat all bids equitably.

- “Responsive bidder” means a person who has submitted a bid which conforms in all material respects to the Invitation for Bids.

- A lack of conformity on these matters which is non-substantive in nature may be considered a technicality or irregularity which may be waived by the purchasing agent.

- The acceptability evaluation is not conducted for the purpose of determining whether one bidder's item is superior to another but only to determine that a bidder's offering is acceptable as set forth in the Invitation for Bids. Any bidder's offering which does not meet the acceptability requirements shall be rejected.

- Refer to Phase One, step 3 for Total Cost of Ownership guidance.

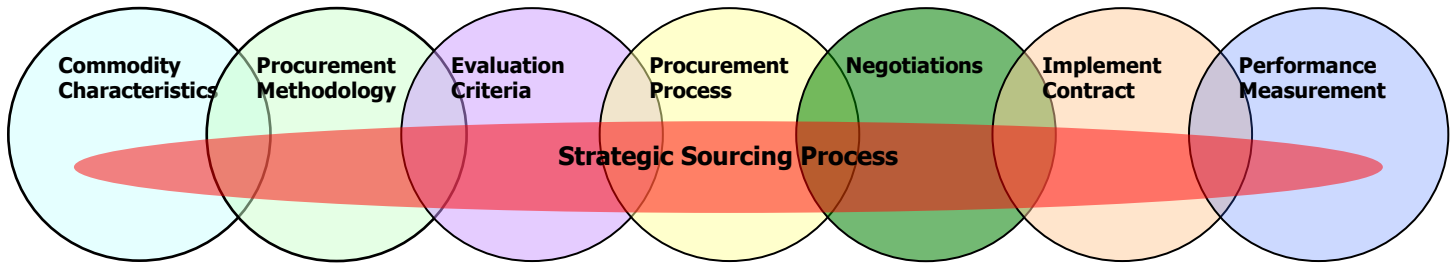
<p><b><u>Multi-step Sealed Bidding Evaluations</u></b></p> <p>Multi-step seal bidding is a subset of competitive sealed bidding. Refer to Phase Two for a complete definition and processes associated with this type of procurement. Evaluations conducted during multi-step bidding are, for the most part, limited to Phase One of the procurement process.</p> <p>The requirements of the previous section "Competitive Sealed Bidding Evaluations" shall apply. However, in multi-step bidding, <i>the unpriced technical offers</i> submitted by bidders shall be evaluated solely in accordance with the criteria set forth in the Invitation for Bids. The unpriced technical offers shall be categorized as:</p> <p>(a) acceptable;</p> <p>(b) potentially acceptable, that is, reasonably susceptible of being made acceptable; or</p> <p>(c) unacceptable. The purchasing agent shall record in writing the basis for finding an offer unacceptable and make it part of the procurement file.</p>	<ul style="list-style-type: none"> <li>• The purchasing agent may initiate phase two of the procedure if, in the purchasing agent's opinion, there are sufficient acceptable unpriced technical offers to assure effective price competition in the second phase without modification or alteration of the offers. If the purchasing agent finds that this is not the case, the purchasing agent shall issue an amendment to the Invitation for Bids or engage in technical discussions as set forth in step 2 of this phase.</li> </ul>
<p><b><u>Reverse Auctions</u></b></p> <p>A reverse auction is a procurement process where contracts are awarded in an open and interactive environment, which may include electronic media; and, bids are opened and made public immediately, and bidders are given the opportunity to submit revised, lower bids, until the bidding process is complete.</p> <p>The evaluation component of a reverse auction is conducted in Phase One as specified for a multi-step sealed bidding evaluation process, including the requirements of competitive sealed bidding evaluations.</p>	
<p><b><u>Competitive Sealed Proposals</u></b></p>	

## Step 5

### Contract Award

What you need to do	Points to consider
CURRENTLY UNDER REVISION	CURRENTLY UNDER REVISION





## PHASE FIVE

### Negotiations

Steps in Strategic Sourcing Phase Five	Permissibility of Negotiations	Gather Information	Constructive Dialogue	Conduct Discussions	Negotiate with Integrity
Useful Links and Resources	Utah Administrative Rule R33				
Primary activities		.			
Negotiation guidance documents					

## Step 1

### Permissibility of Negotiations

What you need to do	Points to consider
<p><b><u>Determine whether or not negotiations are allowed under the procurement type and circumstances.</u></b></p> <p>Negotiations are only permitted under certain types of procurements and circumstances. For purposes of definition for use by the Division, negotiations also consist of the discussions conducted during source selection. Discussions and negotiations can only be initiated under competitive sealed proposals, sole source, and emergency procurements; such discussion is not permissible under competitive sealed bidding except to the extent in the first phase of multi-step bidding (reverse auctions are a multi-step bid). Negotiations may be conducted after award related to certain terms and conditions when the award is made after a competitive sealed proposal process and during the course of contract performance in situations such as price increase requests.</p>	
<p><b><u>Discussions in a Multi-step Procurement Process</u></b></p> <p>Discussion of its technical offer may be conducted by the procurement officer with any bidder who submits an acceptable or potentially acceptable offer. During the course of these discussions the procurement officer shall not disclose any information derived from on unpriced technical offer to any other bidder. Once discussions are begun, any bidder who has not been notified that its offer has finally been found unacceptable may submit supplemental information modifying or otherwise amending its technical offer at any time until the closing date established by the procurement officer. This submission may be made at the request of the procurement officer or upon the bidder's own initiative.</p> <p><b><u>Discussions in a Competitive Sealed Proposals Procurement Process</u></b></p> <p>For purposes of this section, the term "offerors" includes only those businesses submitting proposals that are acceptable or potentially acceptable. The term shall not include businesses which submitted unacceptable proposals.</p> <p>Offerors shall be accorded fair and equitable treatment with respect to any opportunity for discussions and revisions of proposals. The procurement officer should establish procedures and schedules for conducting discussions. If before, or during discussions there is a need for clarification or</p>	<p>The discussions are held to facilitate and encourage an adequate number of potential contractors to offer their best proposals, by amending their original offers, if needed.</p>

change of the request for Proposals, it shall be amended in compliance with Utah Administrative Rule R33-3-2 (3-207) to incorporate this clarification or change. Auction techniques and disclosure of any information derived from competing proposals are prohibited.

#### Best and Final Offers (BAFO)

The procurement officer shall establish a common time and date for submission of best and final offers. Best and final offers are to be submitted only once unless the procurement officer makes a written determination before each subsequent round of best and final offers demonstrating another round is in the purchasing agency's best interest, and additional discussions will be conducted or the purchasing agency's requirements will be changed. Otherwise, no discussion of or changes in, the best and final offers shall be allowed prior to award. Offers shall also be informed that if they do not submit a notice of withdrawal or another best and final offer, their immediate previous offer will be construed as their best and final offer.

#### Negotiations in a Sole Source Procurement

An often overlooked area where negotiations may be of great value to the State is in a sole source procurement. The procurement officer should conduct negotiations, as appropriate, as to price, delivery, and terms.

When it appears from a review of the proposal before award that a mistake has been made, the offeror should be asked to confirm the proposal. If the offeror alleges mistake, the proposal may be corrected or withdrawn during any discussions that are held or if the conditions of the Best and Final Offer process are met.

## Step 2

### Gather Information

What you need to do	Points to consider
<p><b><u>Gather as much information as is available</u></b></p> <p>Knowing the commodity characteristics and understanding the markets and suppliers provides for educated negotiations; the suppliers know their business and it is important that the procurement officer or negotiator knows the business as well.</p> <p>Knowing the dollar values, if available, involved with the prospective contract or purchase will also help support the negotiator's position.</p>	<p>Having already completed the steps in Phases One and Two, a good foundation is established.</p>

### Step 3

#### Initiate Constructive Dialogue

What you need to do	Points to consider
<p><b><u>Identify the barriers to dialogue</u></b></p> <p>Knowing the commodity characteristics and understanding the markets and suppliers provides for educated negotiations; the suppliers know their business and it is important that the procurement officer or negotiator knows the business as well.</p>	<p>In order for a negotiation to be successful, constructive dialogue must take place. Unskilled negotiators, or those with poor negotiation skills, will often unwittingly erect barriers that impede the progress of the negotiation.</p>

## Step 4

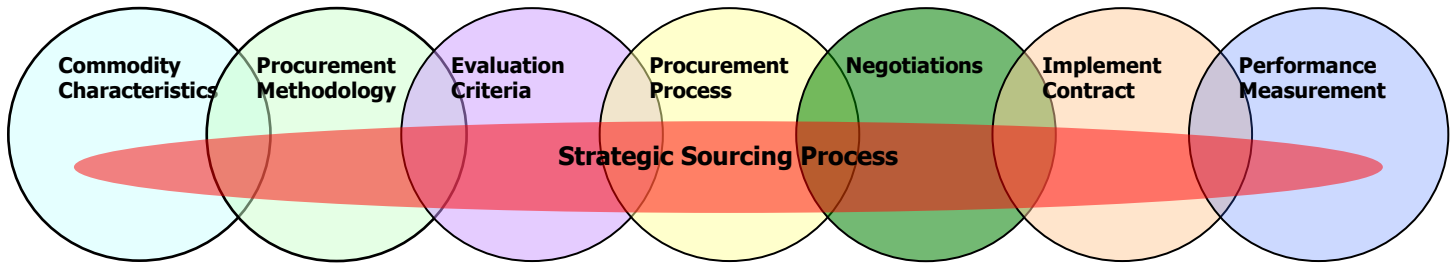
## Conduct Discussions

What you need to do	Points to consider
<p><b><u>Identify the barriers to dialogue</u></b></p> <p>Knowing the commodity characteristics and understanding the markets and suppliers provides for educated negotiations; the suppliers know their business and it is important that the procurement officer or negotiator knows the business as well.</p>	<p>In order for a negotiation to be successful, constructive dialogue must take place. Unskilled negotiators, or those with poor negotiation skills, will often unwittingly erect barriers that impede the progress of the negotiation.</p>

## Step 5

## Negotiate with Integrity

What you need to do	Points to consider
<p><b><u>Identify the barriers to dialogue</u></b></p> <p>Knowing the commodity characteristics and understanding the markets and suppliers provides for educated negotiations; the suppliers know their business and it is important that the procurement officer or negotiator knows the business as well.</p>	<p>In order for a negotiation to be successful, constructive dialogue must take place. Unskilled negotiators, or those with poor negotiation skills, will often unwittingly erect barriers that impede the progress of the negotiation.</p>



## PHASE SIX

### Implement the Contract

Steps in Strategic Sourcing Phase Six	Determine Contract Composition	Review Phase 2 Information	Conduct Post-Award Meetings	Performance Measurements
Useful Links and Resources	<a href="#">Utah Administrative Rule R33</a>			
Primary activities				
Negotiation guidance documents				

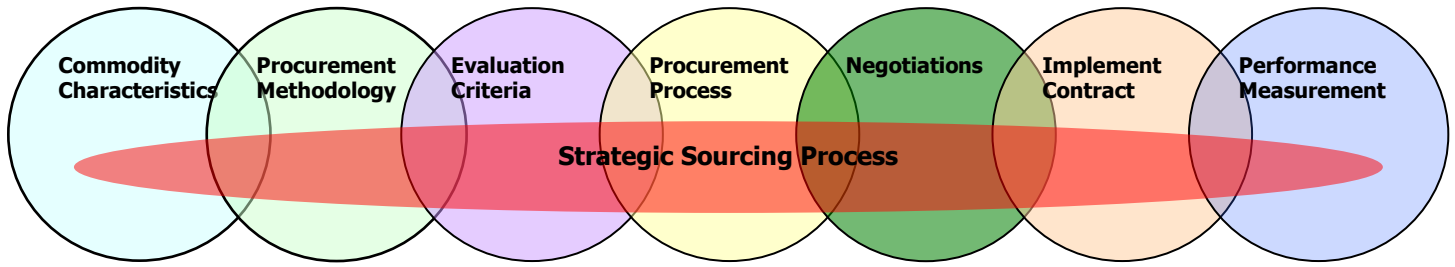


## Step 1

### Permissibility of Negotiations

What you need to do	Points to consider
<p><b><u>Determine whether or not negotiations are allowed under the procurement type and circumstances.</u></b></p> <p>Negotiations are only permitted under certain types of procurements and circumstances. For purposes of definition for use by the Division, negotiations also consist of the discussions conducted during source selection. Discussions and negotiations can only be initiated under competitive sealed proposals, sole source, and emergency procurements; such discussion is not permissible under competitive sealed bidding except to the extent in the first phase of multi-step bidding (reverse auctions are a multi-step bid). Negotiations may be conducted after award related to certain terms and conditions when the award is made after a competitive sealed proposal process and during the course of contract performance in situations such as price increase requests.</p>	
<p><b><u>Discussions in a Multi-step Procurement Process</u></b></p> <p>Discussion of its technical offer may be conducted by the procurement officer with any bidder who submits an acceptable or potentially acceptable offer. During the course of these discussions the procurement officer shall not disclose any information derived from on unpriced technical offer to any other bidder. Once discussions are begun, any bidder who has not been notified that its offer has finally been found unacceptable may submit supplemental information modifying or otherwise amending its technical offer at any time until the closing date established by the procurement officer. This submission may be made at the request of the procurement officer or upon the bidder's own initiative.</p> <p><b><u>Discussions in a Competitive Sealed Proposals Procurement Process</u></b></p> <p>For purposes of this section, the term "offerors" includes only those businesses submitting proposals that are acceptable or potentially acceptable. The term shall not include businesses which submitted unacceptable proposals.</p> <p>Offerors shall be accorded fair and equitable treatment with respect to any opportunity for discussions and revisions of proposals. The procurement officer should establish procedures and</p>	<p>The discussions are held to facilitate and encourage an adequate number of potential contractors to offer their best proposals, by amending their original offers, if needed.</p>

<p>schedules for conducting discussions. If before, or during discussions there is a need for clarification or change of the request for Proposals, it shall be amended in compliance with Utah Administrative Rule R33-3-2 (3-207) to incorporate this clarification or change. Auction techniques and disclosure of any information derived from competing proposals are prohibited.</p> <p><u>Best and Final Offers (BAFO)</u></p> <p>The procurement officer shall establish a common time and date for submission of best and final offers. Best and final offers are to be submitted only once unless the procurement officer makes a written determination before each subsequent round of best and final offers demonstrating another round is in the purchasing agency's best interest, and additional discussions will be conducted or the purchasing agency's requirements will be changed. Otherwise, no discussion of or changes in, the best and final offers shall be allowed prior to award. Offers shall also be informed that if they do not submit a notice of withdrawal or another best and final offer, their immediate previous offer will be construed as their best and final offer.</p> <p><u>Negotiations in a Sole Source Procurement</u></p> <p>An often overlooked area where negotiations may be of great value to the State is in a sole source procurement. The procurement officer should conduct negotiations, as appropriate, as to price, delivery, and terms.</p>	<p>When it appears from a review of the proposal before award that a mistake has been made, the offeror should be asked to confirm the proposal. If the offeror alleges mistake, the proposal may be corrected or withdrawn during any discussions that are held or if the conditions of the Best and Final Offer process are met.</p>



## PHASE SEVEN

### Performance Measurement

Steps in Strategic Sourcing Phase Seven	Determine Relevant Information	Establish Rating Areas, Ratings, and Frequency of Measurements	Conduct Post-Review Meetings	Record Measurements and Implement Corrective Action, if Necessary
Useful Links and Resources		<a href="#">Sample Survey Forms</a>		
Primary activities				
Negotiation guidance documents				

## Step 1

### Determine Relevant Information

What you need to do	Points to consider
<p><b><u>Determine whether or not negotiations are allowed under the procurement type and circumstances.</u></b></p> <p>Negotiations are only permitted under certain types of procurements and circumstances. For purposes of definition for use by the Division, negotiations also consist of the discussions conducted during source selection. Discussions and negotiations can only be initiated under competitive sealed proposals, sole source, and emergency procurements; such discussion is not permissible under competitive sealed bidding except to the extent in the first phase of multi-step bidding (reverse auctions are a multi-step bid). Negotiations may be conducted after award related to certain terms and conditions when the award is made after a competitive sealed proposal process and during the course of contract performance in situations such as price increase requests.</p>	
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<p>schedules for conducting discussions. If before, or during discussions there is a need for clarification or change of the request for Proposals, it shall be amended in compliance with Utah Administrative Rule R33-3-2 (3-207) to incorporate this clarification or change. Auction techniques and disclosure of any information derived from competing proposals are prohibited.</p> <p><u>Best and Final Offers (BAFO)</u></p> <p>The procurement officer shall establish a common time and date for submission of best and final offers. Best and final offers are to be submitted only once unless the procurement officer makes a written determination before each subsequent round of best and final offers demonstrating another round is in the purchasing agency's best interest, and additional discussions will be conducted or the purchasing agency's requirements will be changed. Otherwise, no discussion of or changes in, the best and final offers shall be allowed prior to award. Offers shall also be informed that if they do not submit a notice of withdrawal or another best and final offer, their immediate previous offer will be construed as their best and final offer.</p> <p><u>Negotiations in a Sole Source Procurement</u></p> <p>An often overlooked area where negotiations may be of great value to the State is in a sole source procurement. The procurement officer should conduct negotiations, as appropriate, as to price, delivery, and terms.</p>	<p>When it appears from a review of the proposal before award that a mistake has been made, the offeror should be asked to confirm the proposal. If the offeror alleges mistake, the proposal may be corrected or withdrawn during any discussions that are held or if the conditions of the Best and Final Offer process are met.</p>